

§ 20.2014-7

§ 20.2014-7 Limitation on credit if a deduction for foreign death taxes is allowed under section 2053(d).

If a deduction is allowed under section 2053(d) for foreign death taxes paid with respect to a charitable gift, the credit for foreign death taxes is subject to special limitations. In such a case the property described in subparagraphs (A), (B), and (C) of paragraphs (1) and (2) of section 2014(b) shall not include any property with respect to which a deduction is allowed under section 2053(d). The application of this section may be illustrated by the following example:

Example. The decedent, a citizen of the United States, died July 1, 1955, leaving a gross estate of \$1,200,000 consisting of: Shares of stock issued by United States corporations, valued at \$600,000; bonds issued by the United States Government physically located in the United States, valued at \$300,000; and shares of stock issued by a Country X corporation, valued at \$300,000. Expenses, indebtedness, etc., amounted to \$40,000. The decedent made specific bequests of \$400,000 of the United States corporation stock to a niece and \$100,000 of the Country X corporation stock to a nephew. The residue of his estate was left to charity. There is no death tax convention in existence between the United States and Country X. The Country X tax imposed was at a 50-percent rate on all beneficiaries. A State inheritance tax of \$20,000 was imposed on the niece and nephew. The decedent did not provide in his will for the payment of the death taxes, and under local law the Federal estate tax is payable from the general estate, the same as administration expenses.

DISTRIBUTION OF THE ESTATE		
Gross estate		\$1,200,000.00
Debts and charges	\$40,000.00	
Bequest of U.S. corporation stock to niece	400,000.00	
Bequest of country X corporation stock to nephew	100,000.00	
Net Federal estate tax	136,917.88	
		676,917.88
Residue before country X tax	523,082.12	
Country X succession tax on charity	100,000.00	
Charitable deduction	423,082.12	
TAXABLE ESTATE AND FEDERAL ESTATE TAX		
Gross estate		1,200,000.00
Debts and charges	40,000.00	
Deduction of foreign death tax under section 2053(d) ..	100,000.00	
Charitable deduction	423,082.12	
Exemption	60,000.00	
		623,082.12
Taxable estate		576,917.88

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DISTRIBUTION OF THE ESTATE	
Gross estate tax	172,621.26
Credit for State death taxes	15,476.72
Gross estate tax less credit for State death taxes	157,144.54
Credit for foreign death taxes	20,226.66
Net Federal estate tax	136,917.88
CREDIT FOR FOREIGN DEATH TAXES	
COUNTRY X TAX	
Succession tax on nephew:	
Value of stock of country X corporation	100,000
Tax (50% rate)	\$50,000
Succession tax on charity:	
Value of stock of country X corporation	200,000
Tax (50% rate)	100,000
COMPUTATION OF EXCLUSION UNDER SECTION 2014(b)	
Value of situated in country X	300,000
Value of property in respect of which a deduction is allowed under section 2053(d)	200,000
Value of property situated within country X, subjected to tax, and included in gross estate as limited by section 2014(f)	100,000

FIRST LIMITATION, § 28.2014-2(A)

\$100,000 (factor C of the ratio stated at § 20.2014-2(a)) ÷ \$100,000 ÷ \$200,000 (factor D of the ratio stated at § 20.2014 2(a) × \$50,000 ÷ \$100,000) (factor B of the ratio stated at § 20.2014-2(a)) = \$50,000.00

SECOND LIMITATION, § 28.2014-3(A)

\$100,000 (factor G of the ratio stated at § 20.2014-3(a)) (as limited by section 2014(f)) ÷ \$1,200,000 ÷ \$423,082.12 (factor H of the ratio stated at § 20.2014 3(a) × \$172,621.26 ÷ \$15,476.72) (factor F of the ratio stated at § 20.2014-3(a)) = \$20,226.66Z

[T.D. 6600, 27 FR 4984, May 27, 1962]

§ 20.2015-1 Credit for death taxes on remainders.

(a) If the executor of an estate elects under section 6163(a) to postpone the time for payment of any portion of the Federal estate tax attributable to a reversionary or remainder interest in property, credit is allowed under sections 2011 and 2014 against that portion of the Federal estate tax for State death taxes and foreign death taxes attributable to the reversionary or remainder interest if the State death taxes or foreign death taxes are paid and if credit therefor is claimed either—

(1) Within the time provided for in sections 2011 and 2014, or